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Department of Taxation and Finance
Joint Senate & Assembly Budget Hearing
Hearing Room B - Legislative Office Building
February 10, 2014

Chairman DeFrancisco, Chairman Farrell and distinguished members of the Committees, on behalf of Governor Cuomo and my colleagues at the Department of Taxation and Finance, thank you for the opportunity to discuss the Governor's 2014-15 Executive Budget.

The fiscal discipline exercised by Governor Cuomo and the Legislature has the State poised to go from what was a \$10 billion deficit in 2011-12 to a \$2 billion dollar surplus in 2016-17. Governor Cuomo's Executive Budget proposes utilizing that surplus to provide tax relief for individuals and businesses, improve the State's competitiveness and spur economic growth — sound policy proposals, recommended and validated by the Governor's Tax Relief and Tax Reform and Fairness Commissions.

Anchoring the agenda are proposals to relieve real property taxes — the State's largest tax burden. The Executive Budget calls for a two-year freeze on increases in local real property taxes for homeowners, with incentives for local governments and school districts to address the structural causes of our State's high tax burden. It also includes a circuit breaker tax credit to provide immediate relief to homeowners based on their ability to pay. In addition, the budget provides tax relief to families who struggle to find affordable rental housing, not only in New York City, but all across the State.

The Governor's budget takes major steps toward improving the State's business climate by proposing a major reform to the State's primary corporate taxes, while lowering the tax rate from 7.1% to 6.5%. Also, the Executive Budget offers help for the State's manufacturing sector, by providing a 20 percent real property tax credit and reducing the tax rate for upstate manufacturers to zero. And it includes measures to modernize the tax code by repealing obsolete nuisance taxes and simplifying and eliminating the filing requirement for hundreds of thousands of New Yorkers.

The Executive Budget builds on a solid core of successful initiatives implemented over the past few years, a foundation your legislative support helped engineer.

We've worked steadily to fulfill Governor Cuomo's vision of making government work for the people. Our SAGE-initiated call center consolidation has dramatically improved customer service delivery; wait times fell by more than 50 percent, the need for agent assisted calls is down, and agencies reduced the time it takes to resolve customer problems.

Our full suite of online services, allows taxpayers to now conduct virtually all of their business with the Department online saving them time and money.

E-filing is up, with 87 percent of income taxpayers filing electronically. This year we're heavily marketing the free-filing options for taxpayers, and we've established a new web file option for taxpayers to file their income tax returns directly with the Department at no cost. Currently, 85 percent of all New Yorkers are eligible for one of the free file options available through our web site.

Business taxpayers have led the way in this endeavor. Our stand-alone web based return for sales tax vendors helped drive a jump in e-filed sales tax returns from 34 percent in the sales tax quarter ending in December of 2010 to 86 percent in the quarter ending in December of 2013. Along with reduced transaction costs, the new web filing system has reduced taxpayer filing errors dramatically, improving the accuracy and timeliness of the distribution of revenue to local governments. This past September, the Center for Digital Government recognized this new system by awarding the Department a "Best of NY Award for Best Application Serving an Agency's Business Needs."

Last year's Enacted Budget charged the Tax Department with implementing several important programs, including facilitating the advance payment of the Family Tax Credit, the Driver's License suspension program, and the STAR Registration program. I want to take this opportunity to provide the Committees with an update on our progress.

We are currently preparing to send the advance credit payments to eligible taxpayers by October of this year. As you recall, payments of \$350 will go to families with one or more dependents and whose income was between \$40,000 and \$300,000.

To ensure that all eligible homeowners retain their STAR exemption all of the 2.6 million households that currently claim a Basic STAR exemption were mailed registration codes, and, when necessary were contacted by mail and by phone multiple times. In addition, we undertook an aggressive and widely recognized public messaging campaign. To date, 2.4 million households — or about 89% — have registered. We will begin to notify local assessors to remove exemptions from the tax rolls on March 7th for homeowners that fail to re-register by that date. However, it should also be noted that the enabling statute allows homeowners up to one year to contact us to have their exemption reinstated. The Governor has introduced legislation in the Executive Budget to allow the Department to provide a rebate to any homeowner who misses the above deadline and would have been eligible for STAR had they contacted us within the registration period.

Last year's State budget also directed the Department, working with the Department of Motor Vehicles, to inform taxpayers with past due tax liabilities of over \$10,000 that failure to resolve their outstanding liability, whether through payment in full or by entering into an installment payment plan, would result in the suspension of their driver's license. Taxpayers were given 60 days by which to respond to the notice. Taxpayers who fail to take steps to resolve their debt are referred to DMV for suspension.

To date, the Department has notified over 17,000 residents regarding the consequences for failing to settle their past due liabilities. Of those, 13,000 are past the 60-day grace period and are eligible for referral to DMV for suspension. Of those, over 5,700, or 42 percent, have taken positive steps toward resolving their outstanding liability. As a result, collection of past due liabilities has totaled nearly \$48 million on a State and local basis, exceeding initial estimates.

The past few years have been ones of challenge and opportunity. I believe that together we have met those challenges head on and have changed the direction of this State for the better. To that end, Governor Cuomo's Executive Budget builds on those successes and will continue to create a brighter future for all New Yorkers.

